

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2020-176-E - ORDER NO. 2020-793
DECEMBER 11, 2020

IN RE: Application of Duke Energy Progress, LLC for Approval of Rider DSM/EE-12, Decreasing Residential Rates and Increasing Non-Residential Rate)	ORDER APPROVING
)	RIDER DSM/EE-12
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This matter comes before the Public Service Commission of South Carolina (“Commission”) pursuant to S.C. Code Ann. § 58-37-20 and S.C. Code Ann. Regs. 103-819 and 103-823, the Rules of Practice and Procedure of the Commission. Duke Energy Progress, LLC (the “Company” or “DEP”) requests by Application filed July 31, 2020, that the Commission approve its application for Rider DSM/EE-12 (“Rider 12”) to recover certain costs and revenue associated with its demand-side management (“DSM”) and energy efficiency (“EE”) programs. Rider 12 provides for the recovery of DSM/EE costs allocated jurisdictionally to South Carolina for the test period, January 1, 2019 through December 31, 2019, and for the forecast period, January 1, 2021 through December 31, 2021; net lost revenues for DSM and EE programs as applicable; and program/portfolio performance incentives (“PPI”) as applicable, in accordance with Commission Order No. 2015-596.¹

¹ Application of Duke Energy Progress, LLC to Establish a New Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs, Docket No. 2015-163-E, Order No. 2015-596 (August 19, 2015) (“Order No. 2015-596”).

The Company filed a correct Exhibit 15, entitled Projected Program/Portfolio Cost Effectiveness – Vintage 2021, to the Application for Approval of Rider 12, Demand-Side Management and Energy Efficiency. The corrected Exhibit 15 corrects that misalignment in the in the Program columns in the version of the exhibit that was included with the original Application. The program totals and rates are not affected by this change.

Petitions to Intervene were received from Walmart, Inc., South Carolina State Conference of the NAACP, South Carolina Coastal Conservation League, and Southern Alliance for Clean Energy. These petitions were granted by the Commission on October 1, 2020 and October 7, 2020 respectively. The Office of Regulatory Staff (“ORS”) is automatically a party of record pursuant to S.C. Code Ann. Section 58-4-10. Both Intervenor filed comments in response to the Application filed by DEP. The ORS filed a full report of its assessment of DEP’s Application on October 15, 2020.

OVERVIEW

The Commission approved the Company’s cost recovery mechanism and compensation model for DSM and EE (the “Mechanism”) was established in the stipulation filed on January 23, 2009 in Docket No. 2008-251-E (“Stipulation”) and approved by Commission Order No. 2009-373, dated June 26, 2009. Tariffs for the initial set of DSM/EE programs covered under this mechanism were filed in Docket No. 2009-190-E on May 11, 2009, with the initial proposed cost recovery application filing following in Docket No. 2009-191-E on the same date.

Order No. 2015-596 in Docket No. 2015-163-E approved a new cost recovery and incentive mechanism for DSM and EE programs (the “Revised Mechanism”), to be effective January 1, 2016. Under the Revised Mechanism, DSM/EE costs are to be amortized over a period not to exceed three (3) years, rather than the ten (10) year period used under the Original

Mechanism. The Revised Mechanism, effective January 1, 2016, replaces the cost recovery mechanism and compensation model reflected in the stipulation approved by the Commission in Order No. 2009-373.

The Mechanism provides that the revenue requirements for DEP's EE and DSM programs recover a reasonable and appropriate estimate of the expenses and net lost revenues expected to be incurred during the rate period along with any PPI earned. Costs are deferred and amortized over a period of time not to exceed ten years, and DEP can earn a rate of return at the overall weighted average net-of-tax rate of return approved in the most recent general rate case on the unamortized balance of such costs. DEP can also defer and recover through its Rider the difference between the reasonable and prudent DSM/EE costs incurred during the test period and the revenues actually realized during such test period under the Rider then in effect.

The Rider is to be trued up each year to reflect the difference between the reasonable expenses prudently incurred, net lost revenues incurred, and PPI based on realized results during the test period and the revenues that were actually realized during the test period under the DSM/EE Rider then in effect. Net lost revenues can be recovered for the first 36 months after the installation of the measure and are trued up in the first DSM/EE cost recovery proceeding following the completion and review of a program or measure's impact evaluation. The kWh sales reductions that result from measurement units installed will cease to be eligible for use in calculating net lost revenues as of the effective date of the implementation of new rates approved by the Commission in a general rate case or comparable proceeding to the extent the rates set in the general rate case are set to explicitly or implicitly recover the net lost revenues associated with those kWh sales reductions. PPI is based on the net dollar savings of the portfolio as calculated using the Utility Cost Test.

1. Rider 12 Rate Overview

The Company's filing comprises a request for cost recovery encompassing twenty-two (22) DSM/EE programs. The revenue DEP seeks to recover under the proposed Rider 12 is as follows:

- \$14,866,128 from Residential Customers and
- \$14,734,154 from General Service Customers/Non-Residential Customers

This is a total amortized cost for DEP's filing is \$29,600,282. The requested revenues from residential customers are recovered from all residential ratepayers, while the non-residential revenues are recovered solely from those non-residential ratepayers that do not opt-out of the programs. For this requested amount, the Company projects energy savings of 446,111,659 kWh in 2021, which equates to 6.6 ¢/kWh saved in 2021. Assuming an average five (5)-year life for the measures installed, the lifetime costs average 1.3 ¢/kWh saved.

The total amortized cost of \$29,600,282 is comprised of Program Costs, Net Lost Revenues, PPI, over/under collections during the Test Period, and rate adjustments. The Company's Revised Mechanism allows DEP to amortize Program Costs and PPI, with carrying costs, over three (3) years. Program Costs reflect a request of \$20,278,313, or 69% of the total amortized cost. PPI, which is associated with savings resulting from the implementation of DSM and EE programs, reflects a request of \$3,364,002, or 11% of the total amortized cost.

The Company is also requesting recovery of Net Lost Revenues in the amount of \$6,566,192, or 22% of the total amortized amount, and a reduction of \$888,069, or -3% of the total amortized cost to account for an over-recovery of actual program costs during the Test Period. Finally, the Company is requesting \$279,844, or 1% of the total amortized amount to recover rate adjustments – RECD adjustment, Gross Receipts Tax and a Regulatory Fee Adjustment. DEP does not amortize Net Lost Revenues, any over/under recoveries from prior periods or the rate

adjustments, as they are fully recovered during the period of January 1, 2021 through December 31, 2021 (“Rate Period”).

Table 1: Rider 12 Revenue Requirements Breakdown

Category	Amount	Percentage of Total Requested Revenue
Amortization of Program Costs	\$20,278,313	64%
Net Lost Revenues	\$ 6,566,192	21%
Amortization of Program Performance Incentive (PPI)	\$ 3,364,002	11%
Rate Adjustments	\$ 279,844	1%
Over-Recovery In Test Period	(\$ 888,069)	(-3%)

For Rider 12, the billing factors were separated to reflect participation in EE programs, DSM programs, or both EE and DSM programs. The proposed Rider 12 billing factors include prospective and true-up components. Based on the total costs to be recovered under the proposed Rider 12, the billing factors applicable to South Carolina customers for the billing period January 1, 2021 through December 31, 2021, inclusive of gross receipts taxes (“GRT”) and South Carolina Regulatory Fees, would be as follows (shown in cents per kWh) in Table 2 below:

Table 2: Comparison of Current and Requested Rates

Rate Class	EE Rate	DSM Rate	Adjustment*	DSM/EE Annual Rider
Residential	0.384	0.254	0.009	0.647
General Service -EE Only	0.895	---	0.005	0.900
General Service -DSMM Only	---	0.106	0.001	0.107
Lighting	0.000	0.000	0.000	0.000

**Adjustment includes charges related to Residential Energy Conservation Discount, SC GRT, and Reg Fee.*

NOTE: All billing factors are rounded to the nearest thousandth of a cent.

DEP performed cost-effectiveness test evaluations for each of its approved DSM and EE programs and prospective aggregated portfolio-level cost-effectiveness test evaluations. As required, DEP provided the annual projected and actual utility costs, participant costs, number of Measurement Units installed, per kW and kWh impacts for each Measurement Unit, and per kW and kWh avoided costs for each Measurement Unit consistent with the UCT, related to the applicable Vintage Year installations for which it seeks approval as part of its filing. See Application Exhibit 7.

The Company's portfolio, excluding the impact of the Distribution System Demand Response ("DSDR") Program, exceeded forecasted 2019 energy savings by 9%, and achieved 82% of the forecasted peak demand reduction in 2019. The DSDR Program provided an additional system energy savings of 38,083,660 kilowatt-hours ("kWh") and peak demand savings of 218,723 kilowatts ("kW") in 2019. However, two (2) of the Company's programs -- the Residential Smart Saver program and the EnergyWise for Business program -- are not currently cost-effective, that

is, the projected costs exceed the projected savings for each of these programs. The current Rider 11 rates approved for 2020 and the Rider 12 rates proposed for 2021 are shown in Table 3 below.

Table 3: Comparison of Current and Requested Rates

<u>DSM/EE Rider</u>	<u>Approved Rider 11 Rate (¢/kWh)</u>	<u>Requested Rider 12 Rate (¢/kWh)</u>	<u>Change to Rider 11 Rate (¢/kWh)</u>	<u>Percentage Change (%)</u>
Residential	0.671	0.647	(0.024)	(-4%)
Non-Residential (a/k/a General Service)	0.722	1.007	0.285	39%

In accordance with the terms of Commission Order No. 2015-596, ORS conducted a review of the Company proposed changes to its Rider DSM/EE. ORS audited the Company's costs for the period of January 1, 2019 through December 31, 2019 ("Test Period"). ORS also reviewed the Company's cost estimates for the Rate Period. This review included an evaluation of the three (3) major cost components associated with the Company's DSM and EE programs: (a) Program Costs, (b) Net Lost Revenues and (c) PPI. The ORS Report indicates that the updated Rider DSM/EE-12 was developed in accordance with the terms and conditions set forth by the Commission and is based on reasonable estimates of participation in the Company's DSM and EE programs. ORS recommends the approval of the following Rider DSM/EE-12 rates as requested in the Application. However, ORS recommends that the Company incorporate the necessary changes to improve their cost effectiveness the Residential Smart Saver program and the EnergyWise for Business program. The DSM/EE Program Energy Savings, Incentive Program Costs and Non- Incentive Program Costs for Vintage years 2017 – 2019 are shown in Table 4 below.

Table 4: DSM/EE Energy Savings, Incentive Program Costs, and Non-Incentive Program Costs

Vintage Program Years	Net MWh Savings	Incentive Program Costs	Non-Incentive Program Costs
2017	413,781	\$60,629,857	\$3,202,406
2018	446,913	\$52,401,164	\$4,228,530
2019	409,303	\$52,678,590	\$4,471,879

Walmart, Inc. (“Walmart”) had no objection to the Company’s proposed changes. The Rider DSM/EE as proposed by DEP continues to maintain the “opt-out” provisions without change. Walmart strongly supports DEP's opt-out provisions as Walmart has its own extensive, self-funded energy efficiency ("EE")/demand-side management ("DSM") efforts.

The change in Rider DSM/EE-12 for an average residential customer using 1,000 kWh per month will decrease the customer’s monthly bill by approximately \$0.24. The Company is requesting the updated rates associated with Rider DSM/EE-12 be effective for bills rendered on and after January 1, 2021. These proposed changes to the rate do not required a determination of the entire rate structure and overall rate of return.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the filings, evidence and comments submitted as part of the record and the consent of the parties, this matter is decided upon the parties’ filings without a formal hearing as follows:

1. The Company is seeking recovery of \$29,600,282 with \$14,866,128 (or 50%) attributed to residential customers and \$14,734,154 (or 50%) attributed to general service customers to cover the revenue requirements of Rider DSM/EE-12.

2. The Commission finds and conclude that the Company's updated Rider DSM/EE-12 was developed in accordance with the terms and conditions set in Docket Nos. 2008-251-E and 2015-163-E.

3. The Commission finds and concludes that the Company's updated Rider DSM/EE-12 is based on reasonable estimates of participation in the Company's programs.

4. The Commission finds and concludes that the Company's programs are performing well and achieving higher than forecasted savings. The Company's portfolio, excluding the impact of the Distribution System Demand Response ("DSDR") Program, exceeded forecasted 2019 energy savings by 9%, and achieved 82% of the forecasted peak demand reduction in 2019. The DSDR Program provided an additional system energy savings of 38,083,660 kilowatt-hours ("kWh") and peak demand savings of 218,723 kilowatts ("kW") in 2019.

5. The Commission finds and concludes that the approval of Rider DSM/EE-12 will result in an average monthly bill of a residential customer using 1,000 kWh per month will decrease by approximately \$0.24.

6. The Commission finds and concludes that two (2) of the Company's programs -- the Residential Smart \$aver program and the EnergyWise for Business program -- are not currently cost-effective and that the projected costs exceed the projected savings for each of these programs.

7. The Commission further finds and concludes that the Company needs to incorporate the necessary changes to improve the cost effectiveness of the Residential Smart \$aver program and the EnergyWise for Business program.

CONCLUSION

Based upon the above findings and conclusions, the Commission hereby approves the Company's DSM/EE Rider 12 and concludes that it is just and reasonable.

IT IS THEREFORE ORDERED:

1. The Application of Duke Energy Progress, LLC for Approval of DSM/EE Rider 12 is approved and shall become effective on January 1, 2021.
2. The total amortized cost for DEP's DSM/EE Rider 12 is \$29,600,282 and shall be in the amount as follows:
 - a. 0.0647 cents per kWh for Residential customers as a total for both EE/DSM;
 - b. 0.900 cents per kWh for General Service² – EE only customers;
 - c. 0.107 cents per kWh for General Service² – DSM only customers; and
 - d. 0.00 cents per kWh for Lighting Service
3. Rider 12 shall be effective for bills rendered on and after January 1, 2021.
4. The Company shall file a copy of the rate schedule or tariff not later than ten (10) days following entry and service of this Order.
5. This Order is to remain in effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:




Justin T. Williams, Chairman
Public Service Commission of
South Carolina

² The term "General Service" refers to "non-residential" customers.